

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7316

BILL NUMBER: HB 1460

NOTE PREPARED: Feb 19, 2009

BILL AMENDED:

SUBJECT: Compliance Reports of Broker-Dealers.

FIRST AUTHOR: Rep. Kersey

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that a broker-dealer may not be selected for completion of a compliance report more than one time in a four-year period unless certain circumstances apply. It provides that the Securities Commissioner may select only a home or branch office of a registered broker-dealer that meets the definition of Office of Supervisory Jurisdiction and has a registered principal located at the home or branch office. The bill also prohibits the Commissioner from charging a broker-dealer more than \$300 for completing a compliance report and certain investigations and examinations.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Securities Division, Secretary of State's Office:* This bill makes changes to compliance report filing by broker-dealers. Implementation of the bill's provisions is not expected to increase costs for the Securities Division.

Secretary of State: This bill requires the Secretary of State to pay any costs exceeding \$300 for a compliance report and investigation or examination. The Securities Division has not assessed fees against broker-dealers for the examination of compliance reports, and so additional costs that the Secretary of State may incur because of this provision are indeterminable.

Background Information - This bill provides that broker-dealers may not be selected for completion of a compliance report more than once during a four-year period, unless the broker-dealer has violated the Indiana Uniform Securities Act. The number of broker-dealers selected for completion of compliance reports averages about 160 per year. Also, it is Securities Division policy to waive the audit of a broker-dealer office

if it is selected in consecutive years.

The bill also specifies that the Securities Commissioner may only select a home or branch office of a registered broker-dealer that is an Office of Supervisory Jurisdiction and has a registered principal.

Office of Supervisory Jurisdiction: Office of Supervisory Jurisdiction means any office of a member at which any one or more of the following functions take place:

- (1) order execution and/or market making;
- (2) structuring of public offerings or private placements;
- (3) maintaining custody of customers' funds and/or securities;
- (4) final acceptance (approval) of new accounts on behalf of the member;
- (5) review and endorsement of customer orders;
- (6) final approval of advertising or sales literature for use by persons associated with the member, pursuant to Rule 2210(b)(1); or
- (7) responsibility for supervising the activities of persons associated with the member at one or more other branch offices of the member.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Secretary of State; Securities Division.

Local Agencies Affected:

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